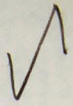


SECRET

THE DEPUTY GOVERNOR



FOREIGN EXCHANGE AND GOLD MARKETS

Friday, 4th July 1980

Independence Day in the U.S.A. made for a dull market. Sterling was slightly offered this morning but well bid this afternoon. The dollar was yet weaker. Sterling's ERI rose to 74.1.

The pound was bid up to 2.3570 in New York yesterday before closing at 2.3532. This morning it began at 2.3495, touched 2.3470, then settled above 2.35 until mid-afternoon. This morning's sellers returned to buy this afternoon and sterling hit 2.3585 before closing at 2.3540. The market evidently felt that the 1% cut in MLR was quite manageable and it would take more than a further 1% to disturb correct levels. Forward margins were little changed. Three months' cover cost 6 9/16% p.a. and the intrinsic premium was 1/16%.

Sterling was unchanged in Germany (4.12½), a touch firmer in France (9.57½) and ¼% off in Switzerland (3.78¾). The dollar weakened in all these centres to 1.7525, 4.0660 and 1.6087 respectively. Yesterday the Americans bought \$176 mn. for marks, and \$7 mn. for French francs. Today the French bought \$29 mn., the Dutch \$10 mn. and the Irish \$9 mn. and £9 mn. EMS widened to 4% between the franc and lira (837.95) but the Italians did not intervene. The yen closed at 219.40 in Tokyo and 218.90 in London.

Gold was firm again this morning but encountered heavy selling at around recent peaks. Fixings were \$668.50 and \$666.50.

Operations:	Market	- \$1 mn.
	Sundries	+ 3
		+ \$2 mn.
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4th July 1980

*Handwritten initials:* JGH  
*Handwritten mark:* A large handwritten mark resembling a stylized '1' or 'J' with a horizontal line through it, located below the initials.